

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

COME-00 FRB-03 LAB-04 SIL-01 SAM-01 /096 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9362

INFO ALL EC CAPITALS 951

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E.O. 11652: N/A

TAGS: PFOR, ETRD, EEC

SUBJECT: EC FOREIGN MINISTERS COUNCIL JULY 22-RAW MATERIALS

REF: A. EC BRUSSELS 6650

B. EC BRUSSELS 6569

1. BEGIN SUMMARY: ACCORDING TO WELLENSTEIN AND OTHER SOURCES IN THE COMMISSION AND THE PERM DELS THE EC COUNCIL SUCCEEDED IN AGREEING ON A GUIDELINES PAPER ON RAW MATERIALS AND RELATED MATTERS TO SERVE AS A BASIS FOR THE EC PRESENTATION AT THE UN SEVENTH SPECIAL SESSION. THE PAPER (TEXT NOT YET AVAILABLE) REPRESENTS A BALANCE BETWEEN THOSE IN THE COMMUNITY WHO WANTED TO EMPHASIZE COMMODITY AGREEMENTS AND THOSE WHO WISHED TO EMPHASIZE STABILIZATION OF EXPORT EARNINGS. END SUMMARY.

2. FOLLOWING THE EC COUNCIL SESSION, WELLENSTEIN, EC COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS, REVIEWED WITH US THE OUTCOME ON RAW MATERIALS. THE NINE REACHED WHAT HE CONSIDERS A SATISFACTORY COMPROMISE IN AGREEING ON A PAPER DEALING PRIMARILY WITH COMMODITY AGREEMENTS AND STABILIZATION OF EXPORT EARNINGS. THE TEXT IS STILL BEING SCRUBBED UP BUT, ACCORDING

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EARNINGS. THE TEXT IS STILL BEING SCRUBBED UP BUT, ACCORDING

TO OTHER SOURCES, ON THE CRUCIAL POINTS IT WILL NOT DIFFER MATERIALLY FROM THAT REPORTED IN REFTEL B. THE PAPER IS TO SERVE AS THE BASIS FOR A PRESENTATION TO BE MADE TO THE SEVENTH SPECIAL SESSION BY EC COUNCIL PRESIDENT RUMOR. IT WILL ALSO BE A GUIDELINE FOR MEMBER STATE COORDINATION AND FOR THE SEPARATE MEMBER STATE INTERVENTIONS AT THE SESSION.

3. THE POLICY APPROACH ADOPTED ON SPECIFIC COMMODITIES REPRESENTS A WILLINGNESS TO EXAMINE PARTICULAR COMMODITIES ON A CASE-BY-CASE BASIS TO DETERMINE WHAT, IF ANY, SPECIFIC ARRANGEMENTS MIGHT BE USEFUL IN EACH CASE. WELLENSTEIN SAID THAT THE INTENT IS TO PERMIT CONSIDERATION OF A VARIETY OF COMMODITY ARRANGEMENTS THAT COULD RANGE FROM SIMPLE EXCHANGE OF INFORMATION TO A TRADITIONAL COMMODITY AGREEMENT DEPENDING ON THE INDIVIDUAL CIRCUMSTANCES. AS FURTHER BACKGROUND, WELLENSTEIN INDICATED THAT THE BREAKTHROUGH PERMITTING THIS MODEST STATEMENT TO BE AGREED CAME AS A RESULT OF A DISCUSSION AMONG THE NINE HEADS OF GOVERNMENT AT LAST WEEK'S EUROPEAN COUNCIL SESSION IN WHICH WELLENSTEIN AND GISCARD PREVAILED UPON SCHMIDT TO AGREE TO A STATEMENT OF WILLINGNESS TO EXAMINE THESE ISSUES ON A CASE-BY-CASE BASIS. WELLENSTEIN EMPHASIZED, HOWEVER, THAT THIS DOES NOT COMMIT THE FRG OR ANYONE ELSE TO ACTUALLY GO FURTHER THAN THE STUDY STAGE. THE BRITISH ARE PARTICULARLY PLEASED THAT THE EC POSITION INCORPORATES "MANY" OF THE IDEAS PROPOSED AT KINGSTON.

4. WITH REGARD TO STABILIZATION OF EXPORT EARNINGS, THE PAPER HAS TWO MAIN FEATURES: (A) WILLINGNESS TO CONSIDER IMPROVEMENT IN THE PRESENT IMF COMPENSATORY FINANCING FACILITY--PRIMARILY ALONG THE LINES OF LIBERALIZING CONDITIONS OF ACCESS TO THAT FACILITY--AND (B) SOMETHING SPECIAL FOR THE LAST-DEVELOPED COUNTRIES. IN RESPONSE TO OUR QUESTIONS, WELLENSTEIN SAID PRECISELY WHAT THE SPECIAL FACILITY WOULD INVOLVE IS NOT YET CLEAR. HE INDICATED THAT THE SPECIAL FEATURE WOULD PROBABLY INVOLVE GRANTS OR VERY SOFT LOANS WHICH WOULD BE MADE AS A FUNCTION OF A PARTICULAR COUNTRY'S OVERALL EXPORT EARNINGS POSITION AND NOT NECESSARILY TIED TO EARNINGS OF EXPORTS OF PARTICULAR COMMODITIES. A BRITISH PERMDEL SOURCE SAID THAT THIS LAST POINT HAD BEEN CRUCIAL TO THE UK. WELLENSTEIN AND A GERMAN PERMDEL SOURCE ALSO INDICATED THAT THE NINE HAVE YET NO FIRM, LIMITED OFFICIAL USE

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COMMON VIEW ON THE INSTITUTIONAL LOCUS FOR A NEW FACILITY FOR THE LEAST DEVELOPED. ONE COULD CERTAINLY NOT RULE OUT THE POSSIBILITY OF PUTTING IT IN THE IMF. THE GERMANS, FOR EXAMPLE, SEEM TO FAVOR THIS IN THE HOPE THAT THEY WOULD END UP HAVING TO CONTRIBUTE LITTLE OR NO ADDITIONAL FINANCING. INSTEAD, THEY WOULD FAVOR FINANCING IT VIA THE PROCEEDS OF IMF GOLD SALES. WELLENSTEIN IMPLIED THAT SOME OTHER MEMBER STATES PROBABLY TAKE A DIFFERENT VIEW.

5. SUMMING UP, WELLENSTEIN EXPECTED THAT THE PAPER AGREED BY THE COUNCIL WOULD BE SUFFICIENT TO SEE THE NINE THROUGH THE BEGINNING OF THE SPECIAL SESSION. MEANWHILE, HE THOUGHT SOME STAFF WORK WOULD CONTINUE OVER THE SUMMER AT TRYING TO WORK UP PROPOSALS TO PUT SOME FLESH ON THE BONES. SUCH PROPOSALS WOULD NOT, HOWEVER, BE ADVANCED AT THE SPECIAL SESSION BUT WOULD PRESUMABLY BE THE BASIS FOR AN ELABORATION OF THE COMMUNITY'S CONCEPT IN THE FRAMEWORK OF THE PRODUCER/CONSUMER DIALOGUE. WELLENSTEIN SAID HE WOULD WELCOME US VIEWS ON THIS GENERAL RANGE OF ISSUES, INCLUDING HOW WE SEE TREATMENT OF THESE ISSUES AT THE UN SPECIAL SESSION.MORRIS

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